

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

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SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01 /101 W

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R 280422Z SEP 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6943

USDOC WASHDC

INFO AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

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USDOC PASS MEPD

EO 11652: NA

TAGS: ENRG EINV ID

SUBJ: GOI REVIEWS BATAN ISLAND PROJECT

1. MINISTER OF ECONOMIC PLANNING WIDJOJO ANNOUNCED LATE
LAST WEEK THAT PERTAMINA'S BATAM ISLAND DEVELOPMENT AUTHORITY
WOULD BE REVIEWED BY GOI IN EFFORT TO RESCALE AND RESHAPE
ORIGINAL PROJECT. ORIGINALLY CONCEIVED IN 1969 BY THEN
PERTAMINA PRESIDENT IBNU SUTOWO, BATAM WAS TO SERVE AS MAIN
LOGISTIC BASE AND CENTER FOR PETROLEUM SERVICE FACILITIES
IN ANTICIPATION INDONESIA'S OIL BOOM. INVESTMENT OF OVER
\$500 MILLION WAS ENVISAGED. IN 1972, PACIFIC BECHTEL,
NISSHO-IWAI, AND PERTAMINA SIGNED AGREEMENT FOR DESIGN OF
MASTER PLAN FOR INDUSTRIAL DEVELOPMENT OF BATAM ISLAND.
PLANS ALSO CALLED FOR CONSTRUCTION OF MAJOR 100,000 B/D
REFINERY TO BE FINANCED BY JAPANESE GROUPS. BATAM PROJECT
NEVER REALLY GOT OFF GROUND, HOWEVER, DUE TO COMBINATION OF

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PERTAMINA FINANCIAL CRISIS, SLOW DOWN IN NEW OIL EXPLORATION

ACTIVITIES, AND REDUCED JAPANESE INVESTMENT INTEREST IN REFINERY.

2. WIDJOJO NOTED IN HIS STATEMENT TO PRESS THAT GOI WOULD CONTINUE PROJECT BUT THAT PRIORITIES WOULD BE CHANGED. EMPHASIS WOULD BE PLACED ON MAKING ISLAND TRANSSHIPMENT POINT FOR FOREIGN TRADE, PROCESSING CENTER FOR INDONESIAN EXPORTS, AND ASSEMBLING AREA FOR EQUIPMENT NEEDED ON MAJOR PROJECTS SUCH AS ACEH LNG PLANT. WIDJOJO SAID BATAM PROJECT WAS UNDER CHAIRMANSHIP OF STATE MINISTER SUMARLIN. EXECUTIVE CHAIRMAN OF PROJECT IS AIR VICE MARSAHL SOEJAMIKO, AND MAJOR GENERAL HERNOWO IS DEPUTY CHIEF OF PROJECT. (ADDRESS: PERTAMINA, CHANDRA BUILDING, JL. THAMRIN 20, JAKARTA.) FINANCING FOR BATAM PROJECT WILL COME FROM STATE BUDGET. PERTAMINA INVOLVEMENT, EXCEPT FOR ONGOING OIL-RELATED PROJECTS, WILL BE LESSENERED.

3. COMMENT: GOI, THROUGH SUMARLIN, HAS BROUGHT IN TECHNICAL ADVISOR FROM HARVARD FOR PRELIMINARY STUDY OF BATAM. ONE OPTION UNDER REVIEW IS TO MOVE OIL SUPPORT BASE FROM BATAM, WHERE IT NOW COMPETES WITH SINGAPORE, TO MORE CENTRAL LOCATION SUCH AS MADURA ISLAND WHERE IT WOULD SERVICE SUMATRA, KALIMANTAN, AND IRIAN JAYA. IN VIEW OF EXTRA FOREIGN EXCHANGE THAT WOULD BE REQUIRED TO DO THIS, IT IS NOT LIKELY AT THIS POINT THAT GOI WILL OPT FOR SWITCH.

NEWSOM

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